

2SHB 1277 - S AMD 571
By Senator Prentice

ADOPTED 04/20/2007

1 Strike everything after the enacting clause and insert the
2 following:

3 "Sec. 1. RCW 39.102.020 and 2006 c 181 s 102 are each amended to
4 read as follows:

5 The definitions in this section apply throughout this chapter
6 unless the context clearly requires otherwise.

7 (1) "Annual state contribution limit" means (~~(five)~~) seven million
8 five hundred thousand dollars statewide per fiscal year.

9 (2) "Assessed value" means the valuation of taxable real property
10 as placed on the last completed assessment roll.

11 (3) "Base year" means the first calendar year following the
12 (~~(creation of a revenue development area. For a local government that~~
13 ~~meets the requirements of RCW 39.102.040(2), "base year" is the~~
14 ~~calendar year after it amends its ordinance as provided in RCW~~
15 ~~39.102.040(2))~~ calendar year in which a sponsoring local government,
16 and any cosponsoring local government, receives approval by the board
17 for a project award, provided that the approval is granted before
18 October 15th. If approval by the board is received on or after October
19 15th but on or before December 31st, the "base year" is the second
20 calendar year following the calendar year in which a sponsoring local
21 government, and any cosponsoring local government, receives approval by
22 the board for a project award.

23 (4) "Board" means the community economic revitalization board under
24 chapter 43.160 RCW.

25 (5) "Demonstration project" means one of the following projects:

- 26 (a) Bellingham waterfront redevelopment project;
27 (b) Spokane river district project at Liberty Lake; and
28 (c) Vancouver riverwest project.

29 (6) "Department" means the department of revenue.

1 (7) "Fiscal year" means the twelve-month period beginning July 1st
2 and ending the following June 30th.

3 (8) "Local excise taxes" means local revenues derived from the
4 imposition of sales and use taxes authorized in RCW 82.14.030 at the
5 tax rate that was in effect at the time the revenue development area
6 was ~~((created))~~ approved by the board, except that if a local
7 government reduces the rate of such tax after the revenue development
8 area was ~~((created))~~ approved by the board, "local excise taxes" means
9 the local revenues derived from the imposition of the sales and use
10 taxes authorized in RCW 82.14.030 at the lower tax rate.

11 (9) "Local excise tax allocation revenue" means the amount of local
12 excise taxes received by the local government during the measurement
13 year from taxable activity within the revenue development area over and
14 above the amount of local excise taxes received by the local government
15 during the base year from taxable activity within the revenue
16 development area, except that:

17 (a) If a sponsoring local government ~~((creates))~~ adopts a revenue
18 development area and reasonably determines that no activity subject to
19 tax under chapters 82.08 and 82.12 RCW occurred within the boundaries
20 of the revenue development area in the twelve months immediately
21 preceding the ~~((creation))~~ approval of the revenue development area
22 ~~((within the boundaries of the area that became the revenue development~~
23 ~~area))~~ by the board, "local excise tax allocation revenue" means the
24 entire amount of local excise taxes received by the sponsoring local
25 government during a calendar year period beginning with the calendar
26 year immediately following the ~~((creation))~~ approval of the revenue
27 development area by the board and continuing with each measurement year
28 thereafter; and

29 (b) For revenue development areas ~~((created))~~ approved by the board
30 in calendar years 2006 and 2007 that do not meet the requirements in
31 (a) of this subsection and if legislation is enacted in this state ~~((by~~
32 ~~July 1, 2006,))~~ during the 2007 legislative session that adopts the
33 sourcing provisions of the streamlined sales and use tax agreement,
34 "local excise tax allocation revenue" means the amount of local excise
35 taxes received by the sponsoring local government during the
36 measurement year from taxable activity within the revenue development
37 area over and above an amount of local excise taxes received by the
38 sponsoring local government during the 2007 or 2008 base year, as the

1 case may be, adjusted by the department for any estimated impacts from
2 retail sales and use tax sourcing changes effective ~~((July 1, 2007))~~ in
3 2008. The amount of base year adjustment determined by the department
4 is final.

5 (10) "Local government" means any city, town, county, port
6 district, and any federally recognized Indian tribe.

7 (11) "Local infrastructure financing" means the use of revenues
8 received from local excise tax allocation revenues, local property tax
9 allocation revenues, ~~((dedicated))~~ other revenues from local public
10 sources, and revenues received from the local option sales and use tax
11 authorized in RCW 82.14.475, dedicated to pay either the principal and
12 interest on bonds authorized under RCW 39.102.150 or to pay public
13 improvement costs on a pay-as-you-go basis subject to section 14 of
14 this act, or both.

15 (12) "Local property tax allocation revenue" means those tax
16 revenues derived from the receipt of regular property taxes levied on
17 the property tax allocation revenue value and used for local
18 infrastructure financing.

19 (13)(a) "Revenues from local public sources" means ~~((federal and~~
20 ~~private monetary contributions, amounts of local excise tax allocation~~
21 ~~revenues, and amounts of local property tax allocation revenues~~
22 ~~dedicated by participating taxing districts and participating local~~
23 ~~governments for local infrastructure financing))~~:

24 (i) Amounts of local excise tax allocation revenues and local
25 property tax allocation revenues, dedicated by sponsoring local
26 governments, participating local governments, and participating taxing
27 districts, for local infrastructure financing; and

28 (ii) Any other local revenues, except as provided in (b) of this
29 subsection, including revenues derived from federal and private
30 sources.

31 (b) Revenues from local public sources do not include any local
32 funds derived from state grants, state loans, or any other state moneys
33 including any local sales and use taxes credited against the state
34 sales and use taxes imposed under chapter 82.08 or 82.12 RCW.

35 (14) "Low-income housing" means residential housing for low-income
36 persons or families who lack the means which is necessary to enable
37 them, without financial assistance, to live in decent, safe, and
38 sanitary dwellings, without overcrowding. For the purposes of this

1 subsection, "low income" means income that does not exceed eighty
2 percent of the median family income for the standard metropolitan
3 statistical area in which the revenue development area is located.

4 (15) "Measurement year" means a calendar year, beginning with the
5 calendar year following the base year and each calendar year
6 thereafter, that is used annually to measure state and local excise tax
7 allocation revenues.

8 (16) "Ordinance" means any appropriate method of taking legislative
9 action by a local government.

10 (17) "Participating local government" means a local government
11 having a revenue development area within its geographic boundaries that
12 has entered into a written agreement with a sponsoring local government
13 as provided in RCW 39.102.080 to allow the use of all or some of its
14 local excise tax allocation revenues or other revenues from local
15 public sources dedicated for local infrastructure financing.

16 (18) "Participating taxing district" means a local government
17 having a revenue development area within its geographic boundaries that
18 has entered into a written agreement with a sponsoring local government
19 as provided in RCW 39.102.080 to allow the use of some or all of its
20 local property tax allocation revenues or other revenues from local
21 public sources dedicated for local infrastructure financing.

22 (19)(a)(i) "Property tax allocation revenue value" means
23 seventy-five percent of any increase in the assessed value of real
24 property in a revenue development area resulting from:

25 (A) The placement of new construction, improvements(~~(, or both)~~) to
26 property, ~~or both,~~ on the assessment roll(~~(s after the revenue~~
27 development area is created)), where the new construction (~~(or))~~ and
28 improvements (~~(occur entirely after the revenue development area is~~
29 created)) are initiated after the revenue development area is approved
30 by the board;

31 (B) The cost of new housing construction, conversion, and
32 rehabilitation improvements, when such cost is treated as new
33 construction for purposes of chapter 84.55 RCW as provided in RCW
34 84.14.020, and the new housing construction, conversion, and
35 rehabilitation improvements are initiated after the revenue development
36 area is approved by the board;

37 (C) The cost of rehabilitation of historic property, when such cost

1 is treated as new construction for purposes of chapter 84.55 RCW as
2 provided in RCW 84.26.070, and the rehabilitation is initiated after
3 the revenue development area is approved by the board.

4 (ii) Increases in the assessed value of real property in a revenue
5 development area resulting from (a)(i)(A) through (C) of this
6 subsection are included in the property tax allocation revenue value in
7 the initial year. These same amounts are also included in the property
8 tax allocation revenue value in subsequent years unless the property
9 becomes exempt from property taxation.

10 ~~(b) ((If any new construction added to the assessment rolls~~
11 ~~consists of entire buildings, "property tax allocation revenue value"~~
12 ~~includes seventy five percent of any increase in the assessed value of~~
13 ~~the buildings in the years following their initial placement on the~~
14 ~~assessment rolls.~~

15 ~~(c) "Property tax allocation revenue value" does not include any~~
16 ~~increase in the assessed value of improvements to property or new~~
17 ~~construction that do not consist of an entire building, occurring after~~
18 ~~their initial placement on the assessment rolls)) "Property tax
19 allocation revenue value" includes seventy-five percent of any increase
20 in the assessed value of new construction consisting of an entire
21 building in the years following the initial year, unless the building
22 becomes exempt from property taxation.~~

23 (c) Except as provided in (b) of this subsection, "property tax
24 allocation revenue value" does not include any increase in the assessed
25 value of real property after the initial year.

26 (d) There is no property tax allocation revenue value if the
27 assessed value of real property in a revenue development area has not
28 increased ~~((due to new construction or improvements to property~~
29 ~~occurring after the revenue development area is created)) as a result
30 of any of the reasons specified in (a)(i)(A) through (C) of this
31 subsection.~~

32 (e) For purposes of this subsection, "initial year" means:

33 (i) For new construction and improvements to property added to the
34 assessment roll, the year during which the new construction and
35 improvements are initially placed on the assessment roll;

36 (ii) For the cost of new housing construction, conversion, and
37 rehabilitation improvements, when such cost is treated as new

1 construction for purposes of chapter 84.55 RCW, the year when such cost
2 is treated as new construction for purposes of levying taxes for
3 collection in the following year; and

4 (iii) For the cost of rehabilitation of historic property, when
5 such cost is treated as new construction for purposes of chapter 84.55
6 RCW, the year when such cost is treated as new construction for
7 purposes of levying taxes for collection in the following year.

8 (20) "Taxing district" means a government entity that levies or has
9 levied for it regular property taxes upon real property located within
10 a proposed or approved revenue development area.

11 (21) "Public improvements" means:

12 (a) Infrastructure improvements within the revenue development area
13 that include:

14 (i) Street, bridge, and road construction and maintenance,
15 including highway interchange construction;

16 (ii) Water and sewer system construction and improvements,
17 including wastewater reuse facilities;

18 (iii) Sidewalks, traffic controls, and streetlights;

19 (iv) Parking, terminal, and dock facilities;

20 (v) Park and ride facilities of a transit authority;

21 (vi) Park facilities and recreational areas, including trails; and

22 (vii) Storm water and drainage management systems;

23 (b) Expenditures for facilities and improvements that support
24 affordable housing as defined in RCW 43.63A.510.

25 (22) "Public improvement costs" means the cost of: (a) Design,
26 planning, acquisition including land acquisition, site preparation
27 including land clearing, construction, reconstruction, rehabilitation,
28 improvement, and installation of public improvements; (b) demolishing,
29 relocating, maintaining, and operating property pending construction of
30 public improvements; (c) the local government's portion of relocating
31 utilities as a result of public improvements; (d) financing public
32 improvements, including interest during construction, legal and other
33 professional services, taxes, insurance, principal and interest costs
34 on general indebtedness issued to finance public improvements, and any
35 necessary reserves for general indebtedness; (e) assessments incurred
36 in revaluing real property for the purpose of determining the property
37 tax allocation revenue base value that are in excess of costs incurred
38 by the assessor in accordance with the revaluation plan under chapter

1 84.41 RCW, and the costs of apportioning the taxes and complying with
2 this chapter and other applicable law; (~~and~~) (f) administrative
3 expenses and feasibility studies reasonably necessary and related to
4 these costs(~~(, including related)~~); and (g) any of the above-described
5 costs that may have been incurred before adoption of the ordinance
6 authorizing the public improvements and the use of local infrastructure
7 financing to fund the costs of the public improvements.

8 (23) "Regular property taxes" means regular property taxes as
9 defined in RCW 84.04.140, except: (a) Regular property taxes levied by
10 public utility districts specifically for the purpose of making
11 required payments of principal and interest on general indebtedness;
12 (b) regular property taxes levied by the state for the support of the
13 common schools under RCW 84.52.065; and (c) regular property taxes
14 authorized by RCW 84.55.050 that are limited to a specific purpose.
15 "Regular property taxes" do not include excess property tax levies that
16 are exempt from the aggregate limits for junior and senior taxing
17 districts as provided in RCW 84.52.043.

18 (24) "Property tax allocation revenue base value" means the
19 assessed value of real property located within a revenue development
20 area for taxes levied in the year in which the revenue development area
21 is (~~created~~) adopted for collection in the following year, plus one
22 hundred percent of any increase in the assessed value of real property
23 located within a revenue development area that is placed on the
24 assessment rolls after the revenue development area is (~~created~~)
25 adopted, less the property tax allocation revenue value.

26 (25) "Relocating a business" means the closing of a business and
27 the reopening of that business, or the opening of a new business that
28 engages in the same activities as the previous business, in a different
29 location within a one-year period, when an individual or entity has an
30 ownership interest in the business at the time of closure and at the
31 time of opening or reopening. "Relocating a business" does not include
32 the closing and reopening of a business in a new location where the
33 business has been acquired and is under entirely new ownership at the
34 new location, or the closing and reopening of a business in a new
35 location as a result of the exercise of the power of eminent domain.

36 (26) "Revenue development area" means the geographic area
37 (~~created~~) adopted by a sponsoring local government and approved by

1 the board, from which local excise and property tax allocation revenues
2 are derived for local infrastructure financing.

3 (27) "Small business" has the same meaning as provided in RCW
4 19.85.020.

5 (28) "Sponsoring local government" means a city, town, or county,
6 and for the purpose of this chapter a federally recognized Indian tribe
7 or any combination thereof, that (~~creates~~) adopts a revenue
8 development area and applies to the board to use local infrastructure
9 financing.

10 (29) "State contribution" means the lesser of:

11 (a) One million dollars;

12 (b) The state excise tax allocation revenue and state property tax
13 allocation revenue received by the state during the preceding calendar
14 year;

15 (c) The total amount of local excise tax allocation revenues, local
16 property tax allocation revenues, and other revenues from local public
17 sources, that are dedicated by a sponsoring local government, any
18 participating local governments, and participating taxing districts, in
19 the preceding calendar year to the payment of principal and interest on
20 bonds issued under RCW 39.102.150 or to pay public improvement costs on
21 a pay-as-you-go basis subject to section 14 of this act, or both; or

22 (d) The amount of project award granted by the board in the notice
23 of approval to use local infrastructure financing under RCW 39.102.040.

24 (30) "State excise taxes" means revenues derived from state retail
25 sales and use taxes under chapters 82.08 and 82.12 RCW, less the amount
26 of tax distributions from all local retail sales and use taxes, other
27 than the local sales and use taxes authorized by RCW 82.14.475, imposed
28 on the same taxable events that are credited against the state retail
29 sales and use taxes under chapters 82.08 and 82.12 RCW.

30 (31) "State excise tax allocation revenue" means the amount of
31 state excise taxes received by the state during the measurement year
32 from taxable activity within the revenue development area over and
33 above the amount of state excise taxes received by the state during the
34 base year from taxable activity within the revenue development area,
35 except that:

36 (a) If a sponsoring local government (~~creates~~) adopts a revenue
37 development area and reasonably determines that no activity subject to
38 tax under chapters 82.08 and 82.12 RCW occurred within the boundaries

1 of the revenue development area in the twelve months immediately
2 preceding the ~~((creation))~~ approval of the revenue development area
3 ~~((within the boundaries of the area that became the revenue development~~
4 ~~area))~~ by the board, "state excise tax allocation revenue" means the
5 entire amount of state excise taxes received by the state during a
6 calendar year period beginning with the calendar year immediately
7 following the ~~((creation))~~ approval of the revenue development area by
8 the board and continuing with each measurement year thereafter; and

9 (b) For revenue development areas ~~((created))~~ approved by the board
10 in calendar years 2006 and 2007 that do not meet the requirements in
11 (a) of this subsection and if legislation is enacted in this state ~~((by~~
12 ~~July 1, 2006,))~~ during the 2007 legislative session that adopts the
13 sourcing provisions of the streamlined sales and use tax agreement,
14 "state excise tax allocation revenue" means the amount of state excise
15 taxes received by the state during the measurement year from taxable
16 activity within the revenue development area over and above an amount
17 of state excise taxes received by the state during the 2007 or 2008
18 base year, as the case may be, adjusted by the department for any
19 estimated impacts from retail sales and use tax sourcing changes
20 effective ~~((July 1, 2007))~~ in 2008. The amount of base year adjustment
21 determined by the department is final.

22 (32) "State property tax allocation revenue" means those tax
23 revenues derived from the imposition of property taxes levied by the
24 state for the support of common schools under RCW 84.52.065 on the
25 property tax allocation revenue value.

26 (33) "Real property" has the same meaning as in RCW 84.04.090 and
27 also includes any privately owned improvements located on publicly
28 owned land that are subject to property taxation.

29 **Sec. 2.** RCW 39.102.040 and 2006 c 181 s 202 are each amended to
30 read as follows:

31 (1) Prior to applying to the board to use local infrastructure
32 financing, a sponsoring local government shall:

33 (a) Designate a revenue development area within the limitations in
34 RCW 39.102.060;

35 (b) Certify that the conditions in RCW 39.102.070 are met;

36 (c) Complete the process in RCW 39.102.080;

37 (d) Provide public notice as required in RCW 39.102.100; and

1 (e) Pass an ordinance adopting the revenue development area as
2 required in RCW 39.102.090.

3 (2) Any local government that has created an increment area under
4 chapter 39.89 RCW (~~(that)~~) and has not issued bonds to finance any
5 public improvement (~~(shall be)~~) may apply to the board and have its
6 increment area considered for approval as a revenue development area
7 under this chapter without (~~(creating)~~) adopting a new (~~(increment)~~)
8 revenue development area under RCW 39.102.090 and 39.102.100 if it
9 amends its ordinance to comply with RCW 39.102.090(1) and otherwise
10 meets the conditions and limitations under this chapter.

11 (3) As a condition to imposing a sales and use tax under RCW
12 82.14.475, a sponsoring local government, including any cosponsoring
13 local government seeking authority to impose a sales and use tax under
14 RCW 82.14.475, must apply to the board and be approved for a project
15 award amount. The application shall be in a form and manner prescribed
16 by the board and include but not be limited to information establishing
17 that the applicant is an eligible candidate to impose the local sales
18 and use tax under RCW 82.14.475, the anticipated effective date for
19 imposing the tax, the estimated number of years that the tax will be
20 imposed, and the estimated amount of tax revenue to be received in each
21 fiscal year that the tax will be imposed. The board shall make
22 available forms to be used for this purpose. As part of the
23 application, each applicant must provide to the board a copy of the
24 ordinance or ordinances creating the revenue development area as
25 required in RCW 39.102.090. A notice of approval to use local
26 infrastructure financing shall contain a project award that represents
27 the maximum amount of state contribution that the applicant, including
28 any cosponsoring local governments, can earn each year that local
29 infrastructure financing is used. The total of all project awards
30 shall not exceed the annual state contribution limit. The
31 determination of a project award shall be made based on information
32 contained in the application and the remaining amount of annual state
33 contribution limit to be awarded. Determination of a project award by
34 the board is final.

35 (4)(a) Sponsoring local governments, and any cosponsoring local
36 governments, applying in calendar year 2007 for a competitive project
37 award, must submit completed applications to the board no later than
38 July 1, 2007. By September 15, 2007, in consultation with the

1 department of revenue and the department of community, trade, and
2 economic development, the board shall approve ~~((qualified))~~ competitive
3 project~~((s, up to the annual state contribution limit))~~ awards from
4 competitive applications submitted by the 2007 deadline. No more than
5 two million five hundred thousand dollars in competitive project awards
6 shall be approved in 2007. For projects not approved by the board in
7 2007, sponsoring and cosponsoring local governments may apply again to
8 the board in 2008 for approval of a project.

9 (b) Sponsoring local governments, and any cosponsoring local
10 governments, applying in calendar year 2008 for a competitive project
11 award, must submit completed applications to the board no later than
12 July 1, 2008. By September 18, 2008, in consultation with the
13 department of revenue and the department of community, trade, and
14 economic development, the board shall approve competitive project
15 awards from competitive applications submitted by the 2008 deadline.

16 (c) Except as provided in RCW 39.102.050(2), a total of no more
17 than five million dollars in competitive project awards shall be
18 approved for local infrastructure financing. ~~((Except as provided in~~
19 RCW 39.102.050, approvals shall be based on the following criteria))

20 (d) The project selection criteria and weighting developed prior to
21 the effective date of this act for the application evaluation and
22 approval process shall apply to applications received prior to November
23 1, 2007. In evaluating applications for a competitive project award
24 after November 1, 2007, the board shall, in consultation with the
25 Washington state economic development commission, develop the relative
26 weight to be assigned to the following criteria:

27 ~~((a))~~ (i) The ~~((project))~~ project's potential to enhance the
28 sponsoring local government's regional and/or international
29 competitiveness;

30 ~~((b))~~ (ii) The project's ability to encourage mixed use and
31 transit-oriented development and the redevelopment of a geographic
32 area;

33 ~~((c))~~ (iii) Achieving an overall distribution of projects
34 statewide that reflect geographic diversity;

35 ~~((d))~~ (iv) The estimated wages and benefits for the project is
36 greater than the average labor market area;

37 ~~((e))~~ (v) The estimated state and local net employment change
38 over the life of the project;

1 ~~((f))~~ (vi) The current economic health and vitality of the
2 proposed revenue development area and the contiguous community and the
3 estimated impact of the proposed project on the proposed revenue
4 development area and contiguous community;

5 (vii) The estimated state and local net property tax change over
6 the life of the project; ~~(and~~

7 ~~(g))~~ (viii) The estimated state and local sales and use tax
8 increase over the life of the project;

9 (ix) An analysis that shows that, over the life of the project,
10 neither the local excise tax allocation revenues nor the local property
11 tax allocation revenues will constitute more than eighty percent of the
12 total local funds as described in RCW 39.102.020(29)(c); and

13 (x) If a project is located within an urban growth area, evidence
14 that the project utilizes existing urban infrastructure and that the
15 transportation needs of the project will be adequately met through the
16 use of local infrastructure financing or other sources.

17 (e)(i) Except as provided in this subsection (4)(e), the board may
18 not approve the use of local infrastructure financing within more than
19 one revenue development area per county.

20 (ii) In a county in which the board has approved the use of local
21 infrastructure financing, the use of such financing in additional
22 revenue development areas may be approved, subject to the following
23 conditions:

24 (A) The sponsoring local government is located in more than one
25 county; and

26 (B) The sponsoring local government designates a revenue
27 development area that comprises portions of a county within which the
28 use of local infrastructure financing has not yet been approved.

29 (iii) In a county where the local infrastructure financing tool is
30 authorized under RCW 39.102.050, the board may approve additional use
31 of the local infrastructure financing tool.

32 ~~(5) ((A revenue development area is considered created when the~~
33 ~~sponsoring local government, including any cosponsoring local~~
34 ~~government, has adopted an ordinance creating the revenue development~~
35 ~~area and the board has approved the sponsoring local government to use~~
36 ~~local infrastructure financing. If a sponsoring local government~~
37 ~~receives approval from the board after the fifteenth day of October to~~
38 ~~use local infrastructure financing, the revenue development area is~~

1 ~~considered created in the calendar year following the approval.))~~ Once
2 the board has approved the sponsoring local government, and any
3 cosponsoring local governments, to use local infrastructure financing,
4 notification (~~shall~~) must be sent by the board to the sponsoring
5 local government, and any cosponsoring local governments, authorizing
6 the sponsoring local government, and any cosponsoring local
7 governments, to impose the local sales and use tax authorized under RCW
8 82.14.475, subject to the conditions in RCW 82.14.475.

9 **Sec. 3.** RCW 39.102.050 and 2006 c 181 s 203 are each amended to
10 read as follows:

11 (1) In addition to a competitive process, demonstration projects
12 are provided to determine the feasibility of the local infrastructure
13 financing tool. Notwithstanding RCW 39.102.040, the board shall
14 approve each demonstration project (~~before approving any other~~
15 application)). Demonstration project applications must be received by
16 the board no later than July 1, 2008. The Bellingham waterfront
17 redevelopment project award shall not exceed one million dollars per
18 year, the Spokane river district project award shall not exceed one
19 million dollars per year, and the Vancouver riverwest project award
20 shall not exceed five hundred thousand dollars per year. The board
21 shall approve by September 15, 2007, demonstration project applications
22 submitted no later than July 1, 2007. The board shall approve by
23 September 18, 2008, demonstration project applications submitted by
24 July 1, 2008.

25 (2) If before board approval of the final competitive project award
26 in 2008, a demonstration project has not received approval by the
27 board, the state dollars set aside for the demonstration project in
28 subsection (1) of this section shall be available for the competitive
29 application process. If a demonstration project has received a partial
30 award before the approval of the final competitive project award, the
31 remaining state dollars set aside for the demonstration project in
32 subsection (1) of this section shall be available for the competitive
33 process.

34 **Sec. 4.** RCW 39.102.060 and 2006 c 181 s 204 are each amended to
35 read as follows:

1 The designation of a revenue development area is subject to the
2 following limitations:

3 (1) The taxable real property within the revenue development area
4 boundaries may not exceed one billion dollars in assessed value at the
5 time the revenue development area is designated;

6 (2) The average assessed value per square foot of taxable land
7 within the revenue development area boundaries, as of January 1st of
8 the year the application is submitted to the board under RCW
9 39.102.040, may not exceed seventy dollars at the time the revenue
10 development area is designated;

11 (3) (~~No more than one revenue development area may be created in~~
12 ~~a county~~) No revenue development area shall have within its geographic
13 boundaries any part of a hospital benefit zone under chapter 39.100 RCW
14 or any part of another revenue development area created under this
15 chapter;

16 (4) A revenue development area is limited to contiguous tracts,
17 lots, pieces, or parcels of land without the creation of islands of
18 property not included in the revenue development area;

19 (5) The boundaries may not be drawn to purposely exclude parcels
20 where economic growth is unlikely to occur;

21 (6) The public improvements financed through local infrastructure
22 financing must be located in the revenue development area;

23 (7) A revenue development area cannot comprise an area containing
24 more than twenty-five percent of the total assessed value of the
25 taxable real property within the boundaries of the sponsoring local
26 government, including any cosponsoring local government, at the time
27 the revenue development area is designated;

28 (8) The boundaries of the revenue development area shall not be
29 changed for the time period that local infrastructure financing is
30 used; and

31 (9) A revenue development area cannot include any part of an
32 increment area created under chapter 39.89 RCW, except those increment
33 areas created prior to January 1, 2006.

34 **Sec. 5.** RCW 39.102.090 and 2006 c 181 s 207 are each amended to
35 read as follows:

36 (1) To (~~create~~) adopt a revenue development area, a sponsoring

1 local government, and any cosponsoring local government, must adopt an
2 ordinance establishing the revenue development area that:

3 (a) Describes the public improvements proposed to be made in the
4 revenue development area;

5 (b) Describes the boundaries of the revenue development area,
6 subject to the limitations in RCW 39.102.060;

7 (c) Estimates the cost of the proposed public improvements and the
8 portion of these costs to be financed by local infrastructure
9 financing;

10 (d) Estimates the time during which local excise tax allocation
11 revenues, local property tax allocation revenues, and other revenues
12 from local public sources are to be used for local infrastructure
13 financing;

14 (e) Provides the date when the use of local excise tax allocation
15 revenues and local property tax allocation revenues will commence; and

16 (f) Finds that the conditions in RCW 39.102.070 are met and the
17 findings in RCW 39.102.080 are complete.

18 (2) The sponsoring local government, and any cosponsoring local
19 government, must hold a public hearing on the proposed financing of the
20 public improvements in whole or in part with local infrastructure
21 financing (~~at least thirty days~~) before passage of the ordinance
22 establishing the revenue development area. The public hearing may be
23 held by either the governing body of the sponsoring local government
24 and the governing body of any cosponsoring local government, or by a
25 committee of those governing bodies that includes at least a majority
26 of the whole governing body or bodies. The public hearing is subject
27 to the notice requirements in RCW 39.102.100.

28 (3) The sponsoring local government, and any cosponsoring local
29 government, shall deliver a certified copy of the adopted ordinance to
30 the county treasurer, the governing body of each participating local
31 government and participating taxing district within which the revenue
32 development area is located, the board, and the department.

33 **Sec. 6.** RCW 39.102.110 and 2006 c 181 s 301 are each amended to
34 read as follows:

35 (1) A sponsoring local government or participating local government
36 that has received approval by the board to use local infrastructure
37 financing may use annually its local excise tax allocation revenues to

1 finance public improvements in the revenue development area financed in
2 whole or in part by local infrastructure financing. The use of local
3 excise tax allocation revenues dedicated by participating local
4 governments must cease (~~((when such allocation revenues are no longer
5 necessary or obligated to pay bonds issued to finance the public
6 improvements in the revenue development area))~~ on the date specified in
7 the written agreement required in RCW 39.102.080(1), or if no date is
8 specified then the date when the local tax under RCW 82.14.475 expires.
9 Any participating local government is authorized to dedicate local
10 excise tax allocation revenues to the sponsoring local government as
11 authorized in RCW 39.102.080(1).

12 (2) A sponsoring local government shall provide the board accurate
13 information describing the geographical boundaries of the revenue
14 development area at the time of application. The information shall be
15 provided in an electronic format or manner as prescribed by the
16 department. The sponsoring local government shall ensure that the
17 boundary information provided to the board and department is kept
18 current.

19 (3) In the event a city annexes a county area located within a
20 county-sponsored revenue development area, the city shall remit to the
21 county the portion of the local excise tax allocation revenue that the
22 county would have received had the area not been annexed to the county.
23 The city shall remit such revenues until such time as the bonds issued
24 under RCW 39.102.150 are retired.

25 **Sec. 7.** RCW 39.102.120 and 2006 c 181 s 302 are each amended to
26 read as follows:

27 (1) Commencing in the second calendar year following (~~(the passage
28 of the ordinance creating a revenue development area and authorizing
29 the use of local infrastructure financing))~~ board approval of a revenue
30 development area, the county treasurer shall distribute receipts from
31 regular taxes imposed on real property located in the revenue
32 development area as follows:

33 (a) Each participating taxing district and the sponsoring local
34 government shall receive that portion of its regular property taxes
35 produced by the rate of tax levied by or for the taxing district on the
36 property tax allocation revenue base value for that local

1 infrastructure financing project in the taxing district, or upon the
2 total assessed value of real property in the taxing district, whichever
3 is smaller; and

4 (b) The sponsoring local government shall receive an additional
5 portion of the regular property taxes levied by it and by or for each
6 participating taxing district upon the property tax allocation revenue
7 value within the revenue development area. However, if there is no
8 property tax allocation revenue value, the sponsoring local government
9 shall not receive any additional regular property taxes under this
10 subsection (1)(b). The sponsoring local government may agree to
11 receive less than the full amount of the additional portion of regular
12 property taxes under this subsection (1)(b) as long as bond debt
13 service, reserve, and other bond covenant requirements are satisfied,
14 in which case the balance of these tax receipts shall be allocated to
15 the participating taxing districts that levied regular property taxes,
16 or have regular property taxes levied for them, in the revenue
17 development area for collection that year in proportion to their
18 regular tax levy rates for collection that year. The sponsoring local
19 government may request that the treasurer transfer this additional
20 portion of the property taxes to its designated agent. The portion of
21 the tax receipts distributed to the sponsoring local government or its
22 agent under this subsection (1)(b) may only be expended to finance
23 public improvement costs associated with the public improvements
24 financed in whole or in part by local infrastructure financing.

25 (2) The county assessor shall allocate any increase in the assessed
26 value of real property occurring in the revenue development area to the
27 property tax allocation revenue value and property tax allocation
28 revenue base value as appropriate. This section does not authorize
29 revaluations of real property by the assessor for property taxation
30 that are not made in accordance with the assessor's revaluation plan
31 under chapter 84.41 RCW or under other authorized revaluation
32 procedures.

33 (3) The apportionment of increases in assessed valuation in a
34 revenue development area, and the associated distribution to the
35 sponsoring local government of receipts from regular property taxes
36 that are imposed on the property tax allocation revenue value, must
37 cease when property tax allocation revenues are no longer (~~necessary~~
38 ~~or~~) obligated to pay the costs of the public improvements. Any excess

1 local property tax allocation revenues derived from regular property
2 taxes and earnings on these tax allocation revenues, remaining at the
3 time the allocation of tax receipts terminates, must be returned to the
4 county treasurer and distributed to the participating taxing districts
5 that imposed regular property taxes, or had regular property taxes
6 imposed for it, in the revenue development area for collection that
7 year, in proportion to the rates of their regular property tax levies
8 for collection that year.

9 (4) The allocation to the revenue development area of portions of
10 the local regular property taxes levied by or for each taxing district
11 upon the property tax allocation revenue value within that revenue
12 development area is declared to be a public purpose of and benefit to
13 each such taxing district.

14 (5) The allocation of local property tax allocation revenues
15 pursuant to this section shall not affect or be deemed to affect the
16 rate of taxes levied by or within any taxing district or the
17 consistency of any such levies with the uniformity requirement of
18 Article VII, section 1 of the state Constitution.

19 (6) This section does not apply to those revenue development areas
20 that include any part of an increment area created under chapter 39.89
21 RCW.

22 **Sec. 8.** RCW 82.14.475 and 2006 c 181 s 401 are each amended to
23 read as follows:

24 (1) A sponsoring local government, and any cosponsoring local
25 government, that has been approved by the board to use local
26 infrastructure financing may impose a sales and use tax in accordance
27 with the terms of this chapter and subject to the criteria set forth in
28 this section. Except as provided in this section, the tax is in
29 addition to other taxes authorized by law and shall be collected from
30 those persons who are taxable by the state under chapters 82.08 and
31 82.12 RCW upon the occurrence of any taxable event within the taxing
32 jurisdiction of the sponsoring local government or cosponsoring local
33 government. The rate of tax shall not exceed the rate provided in RCW
34 82.08.020(1), less the aggregate rates of any other local sales and use
35 taxes imposed on the same taxable events that are credited against the
36 state sales and use taxes imposed under chapters 82.08 and 82.12 RCW.
37 The rate of tax may be changed only on the first day of a fiscal year

1 as needed. Notice of rate changes must be provided to the department
2 on the first day of March to be effective on July 1st of the next
3 fiscal year.

4 (2) The tax authorized under subsection (1) of this section shall
5 be credited against the state taxes imposed under chapter 82.08 or
6 82.12 RCW. The department shall perform the collection of such taxes
7 on behalf of the sponsoring local government or cosponsoring local
8 government at no cost to the sponsoring local government or
9 cosponsoring local government and shall remit the taxes as provided in
10 RCW 82.14.060.

11 (3)(a) No tax may be imposed under the authority of this section:

12 (i) Before July 1, 2008;

13 (ii) Before approval by the board under RCW 39.102.040; and

14 (iii) ~~((Except as provided in (b) of this subsection, unless))~~
15 Before the sponsoring local government has received ~~((and dedicated to~~
16 ~~the payment of bonds authorized in RCW 39.102.150, in whole or in part,~~
17 ~~both))~~ local excise tax allocation revenues ~~((and))~~, local property tax
18 allocation revenues, or both, during the preceding calendar year.

19 ~~(b) ((The requirement to receive local property tax allocation~~
20 ~~revenues under (a) of this subsection is waived if the revenue~~
21 ~~development area coincides with or is contained entirely within the~~
22 ~~boundaries of an increment area adopted by a local government under the~~
23 ~~authority of chapter 39.89 RCW for the purposes of utilizing community~~
24 ~~revitalization financing.~~

25 ~~(c))~~ The tax imposed under this section shall expire when the
26 bonds issued under the authority of RCW 39.102.150 are retired, but not
27 more than twenty-five years after the tax is first imposed.

28 (4) An ordinance adopted by the legislative authority of a
29 sponsoring local government or cosponsoring local government imposing
30 a tax under this section shall provide that:

31 (a) The tax shall first be imposed on the first day of a fiscal
32 year;

33 (b) The cumulative amount of tax received by the sponsoring local
34 government, and any cosponsoring local government, in any fiscal year
35 shall not exceed the amount of the state contribution;

36 (c) The tax shall cease to be distributed for the remainder of any
37 fiscal year in which either:

1 (i) The amount of tax received by the sponsoring local government,
2 and any cosponsoring local government, equals the amount of the state
3 contribution;

4 (ii) The amount of revenue from taxes imposed under this section by
5 all sponsoring and cosponsoring local governments equals the annual
6 state contribution limit; or

7 (iii) The amount of tax received by the sponsoring local government
8 equals the amount of project award granted in the approval notice
9 described in RCW 39.102.040;

10 (d) (~~Except when the requirement to receive local property tax~~
11 ~~allocation revenues is waived as provided in subsection (3)(b) of this~~
12 ~~section,~~) Neither the local excise tax allocation revenues nor the
13 local property tax allocation revenues (~~can be~~) may constitute more
14 than eighty percent of the total local funds as described in RCW
15 39.102.020(29)(c). This requirement applies beginning January 1st of
16 the fifth calendar year after the calendar year in which the sponsoring
17 local government begins allocating local excise tax allocation revenues
18 under RCW 39.102.110;

19 (e) The tax shall be distributed again, should it cease to be
20 distributed for any of the reasons provided in (c) of this subsection,
21 at the beginning of the next fiscal year, subject to the restrictions
22 in this section; and

23 (f) Any revenue generated by the tax in excess of the amounts
24 specified in (c) of this subsection shall belong to the state of
25 Washington.

26 (5) If a county and city cosponsor a revenue development area, the
27 combined rates of the city and county tax shall not exceed the rate
28 provided in RCW 82.08.020(1), less the aggregate rates of any other
29 local sales and use taxes imposed on the same taxable events that are
30 credited against the state sales and use taxes imposed under chapters
31 82.08 and 82.12 RCW. The combined amount of distributions received by
32 both the city and county may not exceed the state contribution.

33 (6) The department shall determine the amount of tax receipts
34 distributed to each sponsoring local government, and any cosponsoring
35 local government, imposing sales and use tax under this section and
36 shall advise a sponsoring or cosponsoring local government when tax
37 distributions for the fiscal year equal the amount of state
38 contribution for that fiscal year as provided in subsection (8) of this

1 section. Determinations by the department of the amount of tax
2 distributions attributable to each sponsoring or cosponsoring local
3 government are final and shall not be used to challenge the validity of
4 any tax imposed under this section. The department shall remit any tax
5 receipts in excess of the amounts specified in subsection (4)(c) of
6 this section to the state treasurer who shall deposit the money in the
7 general fund.

8 (7) If a sponsoring or cosponsoring local government fails to
9 comply with RCW 39.102.140, no tax may be distributed in the subsequent
10 fiscal year until such time as the sponsoring or cosponsoring local
11 government complies and the department calculates the state
12 contribution amount for such fiscal year.

13 (8) Each year, the amount of taxes approved by the department for
14 distribution to a sponsoring or cosponsoring local government in the
15 next fiscal year shall be equal to the state contribution and shall be
16 no more than the total local funds as described in RCW
17 39.102.020(29)(c). The department shall consider information from
18 reports described in RCW 39.102.140 when determining the amount of
19 state contributions for each fiscal year. A sponsoring or cosponsoring
20 local government shall not receive, in any fiscal year, more revenues
21 from taxes imposed under the authority of this section than the amount
22 approved annually by the department. The department shall not approve
23 the receipt of more distributions of sales and use tax under this
24 section to a sponsoring or cosponsoring local government than is
25 authorized under subsection (4) of this section.

26 (9) The amount of tax distributions received from taxes imposed
27 under the authority of this section by all sponsoring and cosponsoring
28 local governments is limited annually to not more than ~~((five))~~ seven
29 million five hundred thousand dollars. ~~((The tax distributions shall
30 be available to the sponsoring local government, and any cosponsoring
31 local government, imposing a tax under this section only as long as the
32 sponsoring local government has outstanding indebtedness under RCW
33 39.102.150.))~~

34 (10) The definitions in RCW 39.102.020 apply to this section unless
35 the context clearly requires otherwise.

36 (11) If a sponsoring local government is a federally recognized
37 Indian tribe, the distribution of the sales and use tax authorized

1 under this section shall be authorized through an interlocal agreement
2 pursuant to chapter 39.34 RCW.

3 (12) Subject to section 14 of this act, the tax imposed under the
4 authority of this section may be applied either to provide for the
5 payment of debt service on bonds issued under RCW 39.102.150 by the
6 sponsoring local government or to pay public improvement costs on a
7 pay-as-you-go basis, or both.

8 (13) The tax imposed under the authority of this section shall
9 cease to be imposed if the sponsoring local government or cosponsoring
10 local government fails to issue bonds under the authority of RCW
11 39.102.150 by June 30th of the fifth fiscal year in which the local tax
12 authorized under this section is imposed.

13 **Sec. 9.** RCW 39.102.140 and 2006 c 181 s 403 are each amended to
14 read as follows:

15 (1) A sponsoring local government shall provide a report to the
16 board and the department by March 1st of each year. The report shall
17 contain the following information:

18 (a) The amount of local excise tax allocation revenues, ~~((and))~~
19 local property tax allocation revenues, other revenues from local
20 public sources, and taxes under RCW 82.14.475(~~(, and revenues from~~
21 ~~local public sources))~~) received by the sponsoring local government
22 during the preceding calendar year that were dedicated to pay the
23 public improvements financed in whole or in part with local
24 infrastructure financing, and a summary of how these revenues were
25 expended;

26 (b) The names of any businesses locating within the revenue
27 development area as a result of the public improvements undertaken by
28 the sponsoring local government and financed in whole or in part with
29 local infrastructure financing;

30 (c) The total number of permanent jobs created in the revenue
31 development area as a result of the public improvements undertaken by
32 the sponsoring local government and financed in whole or in part with
33 local infrastructure financing;

34 (d) The average wages and benefits received by all employees of
35 businesses locating within the revenue development area as a result of
36 the public improvements undertaken by the sponsoring local government

1 and financed in whole or in part with local infrastructure financing;
2 and

3 (e) That the sponsoring local government is in compliance with RCW
4 39.102.070.

5 (2) The board shall make a report available to the public and the
6 legislature by June 1st of each year. The report shall include a list
7 of public improvements undertaken by sponsoring local governments and
8 financed in whole or in part with local infrastructure financing and it
9 shall also include a summary of the information provided to the
10 department by sponsoring local governments under subsection (1) of this
11 section.

12 **Sec. 10.** RCW 39.102.150 and 2006 c 181 s 501 are each amended to
13 read as follows:

14 (1) A sponsoring local government that has designated a revenue
15 development area and been authorized the use of local infrastructure
16 financing may incur general indebtedness, and issue general obligation
17 bonds, to finance the public improvements and retire the indebtedness
18 in whole or in part from local excise tax allocation revenues, local
19 property tax allocation revenues, and sales and use taxes imposed under
20 the authority of RCW 82.14.475 that it receives, subject to the
21 following requirements:

22 (a) The ordinance adopted by the sponsoring local government and
23 authorizing the use of local infrastructure financing indicates an
24 intent to incur this indebtedness and the maximum amount of this
25 indebtedness that is contemplated; and

26 (b) The sponsoring local government includes this statement of the
27 intent in all notices required by RCW (~~39.102.090~~) 39.102.100.

28 (2)(a) Except as provided in (b) of this subsection, the general
29 indebtedness incurred under subsection (1) of this section may be
30 payable from other tax revenues, the full faith and credit of the local
31 government, and nontax income, revenues, fees, and rents from the
32 public improvements, as well as contributions, grants, and nontax money
33 available to the local government for payment of costs of the public
34 improvements or associated debt service on the general indebtedness.

35 (b) A sponsoring local government that issues bonds under this
36 section shall not pledge any money received from the state of

1 Washington for the payment of such bonds, other than the local sales
2 and use taxes imposed under the authority of RCW 82.14.475 and
3 collected by the department.

4 (3) In addition to the requirements in subsection (1) of this
5 section, a sponsoring local government designating a revenue
6 development area and authorizing the use of local infrastructure
7 financing may require the nonpublic participant to provide adequate
8 security to protect the public investment in the public improvement
9 within the revenue development area.

10 (4) Bonds issued under this section shall be authorized by
11 ordinance of the governing body of the sponsoring local government and
12 may be issued in one or more series and shall bear such date or dates,
13 be payable upon demand or mature at such time or times, bear interest
14 at such rate or rates, be in such denomination or denominations, be in
15 such form either coupon or registered as provided in RCW 39.46.030,
16 carry such conversion or registration privileges, have such rank or
17 priority, be executed in such manner, be payable in such medium of
18 payment, at such place or places, and be subject to such terms of
19 redemption with or without premium, be secured in such manner, and have
20 such other characteristics, as may be provided by such ordinance or
21 trust indenture or mortgage issued pursuant thereto.

22 (5) The sponsoring local government may annually pay into a fund to
23 be established for the benefit of bonds issued under this section a
24 fixed proportion or a fixed amount of any local excise tax allocation
25 revenues and local property tax allocation revenues derived from
26 property or business activity within the revenue development area
27 containing the public improvements funded by the bonds, such payment to
28 continue until all bonds payable from the fund are paid in full. The
29 local government may also annually pay into the fund established in
30 this section a fixed proportion or a fixed amount of any revenues
31 derived from taxes imposed under RCW 82.14.475, such payment to
32 continue until all bonds payable from the fund are paid in full.
33 Revenues derived from taxes imposed under RCW 82.14.475 are subject to
34 the use restriction in RCW 39.102.130.

35 (6) In case any of the public officials of the sponsoring local
36 government whose signatures appear on any bonds or any coupons issued
37 under this chapter shall cease to be such officials before the delivery
38 of such bonds, such signatures shall, nevertheless, be valid and

1 sufficient for all purposes, the same as if such officials had remained
2 in office until such delivery. Any provision of any law to the
3 contrary notwithstanding, any bonds issued under this chapter are fully
4 negotiable.

5 (7) Notwithstanding subsections (4) through (6) of this section,
6 bonds issued under this section may be issued and sold in accordance
7 with chapter 39.46 RCW.

8 **Sec. 11.** RCW 39.102.130 and 2006 c 181 s 402 are each amended to
9 read as follows:

10 Money collected from the taxes imposed under RCW 82.14.475
11 (~~shall~~) may be used only for the purpose of (~~principal and interest~~
12 ~~payments on bonds issued under the authority of RCW 39.102.150~~) paying
13 debt service on bonds issued under the authority of RCW 39.102.150 or
14 to pay public improvement costs on a pay-as-you-go basis as provided in
15 section 14 of this act, or both.

16 NEW SECTION. **Sec. 12.** RCW 39.102.180 (General indebtedness,
17 general obligation bonds--Authority--Security) and 2006 c 181 s 504 are
18 each repealed.

19 NEW SECTION. **Sec. 13.** A new section is added to chapter 39.102
20 RCW to read as follows:

21 The department of revenue and the community economic revitalization
22 board may adopt any rules under chapter 34.05 RCW they consider
23 necessary for the administration of this chapter.

24 NEW SECTION. **Sec. 14.** A new section is added to chapter 39.102
25 RCW to read as follows:

26 Local excise tax allocation revenues, local property tax allocation
27 revenues, other revenues from local public sources, that are dedicated
28 to local infrastructure financing, and revenues received from the local
29 option sales and use tax authorized in RCW 82.14.475, may not be used
30 to pay for public improvement costs on a pay-as-you-go basis after the
31 date that the sponsoring local government that issued the bonds as
32 provided in RCW 39.102.150 is required to begin paying debt service on
33 those bonds.

impact of the project on the RDA and contiguous community; an analysis that demonstrates that, over the life of the project, neither the local excise tax allocation revenues nor the local property tax allocation revenues will constitute more than 80 percent of the total local funds; and if a project is located within a growth management area, evidence that the project utilizes existing urban infrastructure or that the transportation needs of the project will be adequately met through the use of the local infrastructure financing or other sources.

(6) Reinserts the one RDA per county restriction, but adds an exception for a local sponsoring government that is located in more than one county and an exception for counties with named demonstration projects.

(7) Reinserts the \$70 per square foot restriction for an RDA and clarifies that the value of the land is taken as of January 1st of the year in which the application to the Community Economic Revitalization Board is submitted.

(8) Reinserts the restriction that the boundaries of an RDA cannot be drawn to purposefully exclude parcels where economic growth is unlikely to occur.

(9) Requires that the local government meet the 80-20 requirement for the local funds by the fifth year of allocating local excise tax revenues.

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